



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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December 28, 2006

Mr. Ted Stevens, Secretary
American Gilsonite Company
2400 Sand Hill Road, No. 201
Menlo Park, California 94025

Subject: Notice of Partial Release of Reclamation Surety, Bonanza Mine,
M/047/010, Uintah County, Utah

Dear Mr. Stevens:

The Division has received a request for reclamation surety release of eleven (11) sites in various locations within the permit area of Bonanza Mine site; file number M/047/010, located in Uintah County, Utah. The bond release findings identify specifically the areas of partial and full release within the permit area comprising of approximately 114 acres.

Four (4) of the eleven (11) sites are recommended for full release of the surety obligation associated with them. The remaining seven (7) sites have revegetation requirements that must be achieved prior to full release of the surety obligation for those areas. The acreage associated with these sites is four (4) acres for full release, and seven (7) acres for partial release. There has been a recent reclamation surety calculation that has already omitted these areas from the newly determined reclamation surety obligation amount.

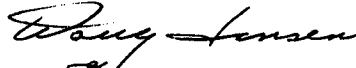
In addition, because two of the sites are on Bureau of Land Management (BLM) land, the partial and full release of these areas is granted contingent on the concurrence of the BLM. To finalize the full/partial release of these areas, the BLM must submit a letter of concurrence to the Division. The Division is attempting to obtain this concurrence.

For the remaining permit area, Operator reclamation liability continues according to the terms of the approved reclamation plan as amended. A Corporate Surety in the amount of \$324,900.00 and a self-bonding and indemnity agreement with the Board of Oil, Gas and Mining that is secured with a Pledge and Escrow Agreement fulfills the current reclamation obligation. The Division has record of the escrow account number 1009552629 with a June 2005 balance of \$189,306.47. These sources of reclamation surety fulfill the current reclamation surety obligation of \$514,000.00 in 2005 dollars.

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If you have any questions or concerns regarding this action, please contact Reclamation Specialist, Mr. Paul Baker (801) 538-5261 or Surety Coordinator, Ms. Beth Ericksen (801) 538-5318.

Sincerely,



For Susan M. White
Permit Supervisor
Division of Oil, Gas and Mining

SMW:,bc:pb

Enc:

cc: Beth Ericksen, DOGM
Paul Baker, DOGM
Stan Perkes, BLM

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Reclamation

The history of sealing the shafts is sketchy. As mentioned above, the escapeway shafts at H-2, H-10, and R-4, and the main shaft at H-2 were sealed in 2001. LE-10 was sealed in 2003, and LE-20 was done in 2000. For the most part, the annual reports do not specify which shafts were sealed. Rather, they contain comments that a certain number of sites were reclaimed during the year.

Mine Engineering

It appears that all the caps and seals are secure and stable, including those that were sealed with polyurethane foam. Reinforced concrete was apparently used at the shafts that were closed with concrete, but the records are not complete. The Division is now requiring photo documentation of closure procedures, but this was not previously mandatory.

Except for the caps, all structures have been removed from all of these sites, and no public safety hazards remain. There are no highwalls or similar features that would cause concern.

Portions of the roads leading to H-2 and H-10 were not reclaimed, and these roads are being used for oil and gas operations. These roads are on patented or fee land owned by American Gilsonite. All other roads have been reclaimed.

Hydrology

The only site through which a drainage runs is H-10, and this drainage is stable. There are no signs of accelerated erosion at any of the sites, most of which are nearly level. There are no impoundments remaining in any of the areas.

Revegetation

The postmining land uses at all of these sites are grazing, wildlife habitat, and in the case of the roads, oil and gas development.

As documented in the report for the April 12, 2006, inspection, sites H-2, H-10, R-2, and R-4 have adequate vegetation cover to meet the criteria for full release. The vegetation includes seeded species, such as Indian ricegrass, winterfat, and wheatgrasses, and volunteer native species like rubber rabbitbrush and Wyoming big sage.

Vegetation at the other sites consists primarily of cheatgrass and halogeton, but there are a few native or seeded species. I did not measure cover from perennial species at any of these sites; the lack of perennial cover compared to undisturbed areas was clear.

Recommendation

I recommend that the Division fully release sites H-2, H-10, R-2, and R-4. The other sites the operator has proposed for full or partial release do not meet the revegetation requirements, but other aspects of reclamation have been completed. Before releasing those sites on federal land, the Division needs to obtain the concurrence of the Bureau of Land Management.

The operator needs to reseed sites B-40, LE-5, LE-10, LE-16, LE-19, and LE-20. Site WH-12 should be evaluated to see whether the 2005 seeding has been successful.

Before seeding, the operator should consider using an herbicide or mechanical methods to control cheatgrass. They should contact a biologist with the Division or the BLM or the Utah State University Extension Service for suggestions.

I recommend that the operator and the Division continue to monitor the four sites sealed with polyurethane foam. This appears to be a good closure technique, but it would be good to have long-term data.

The Division has recalculated the surety for the Bonanza Mine, and this calculation assumes the surety is to be released as recommended in this memo.

REB RE

Inspector

12/13/06

Date